



BANNARI AMMAN SUGARS LIMITED

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20th
Annual Report
2004



Sincerity in the discharge of one's chosen profession / work is duty.
Every work attains nobility when it is performed with devotion and sincerity.
Let us devote ourselves to the duties allotted to us or chosen by us.

- Bhagavadgita (Chapter 18 Verses 45 & 46)

Motto

Strive to perform best at all times

Objectives

Our endeavour is to :

- Identify and improve the processes to have a continuous upgradation of the quality of the end products.
 - Serve in the best interest of canegrowers and shareholders.
 - Maximise productivity by optimising all inputs.
 - Expand and diversify utilising by-products in a planned manner.

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Profile

Bannari Amman Sugars Limited has two sugar manufacturing units located at Tamilnadu and Karnataka. The installed capacity of Tamilnadu sugar unit is 4,000 TCD and Karnataka sugar unit is 5,000 TCD.

The Company has co-generation units at both the sugar units. The installed capacity of co-generation unit in Tamilnadu unit is 20 MW. In Karnataka unit, the Company has commissioned an additional co-generation plant with an installed capacity of 20 MW on 17th March 2004. With this, the total co-generation capacity at our Karnataka unit is 36 MW.

The Company has a distillery division and bio-compost unit both located in Tamilnadu.

The Company is operating a granite processing unit adjacent to its Tamilnadu sugar unit.

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In Karnataka sugar unit, a distillery with a capacity to produce 60 Kilo Litres of spirit per day is being established.

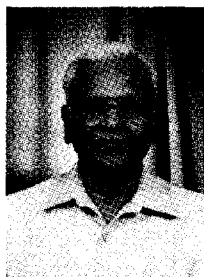
Bannari Amman's strategy is to produce high quality finished products, optimum utilisation of by-products and also be cost effective. The consistent endeavour is to pursue profitable growth strategies for the benefit of all concerned.



Board of Directors



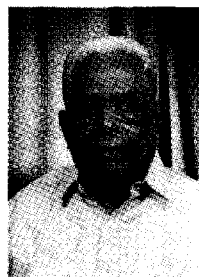
Sri S V Balasubramaniam
Chairman & Managing Director



Sri V Venkata Reddy
Vice Chairman



Sri S V Alagappan



Sri K S Ramaswamy



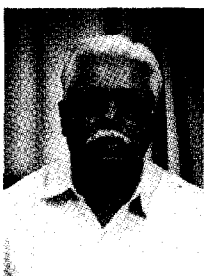
Sri S G Subrahmanyam



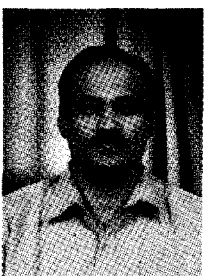
Sri P L Sivanappan



Dr K S Thirumalaiswamy



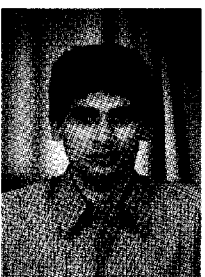
Sri A K Perumalsamy



Sri S V Arumugam



Sri E P Muthukumar



Sri B Saravanan
Jt. Managing Director

**MANAGEMENT TEAM**

Sri S V Balasubramaniam
Chairman & Managing Director

Sri V Venkata Reddy
Vice Chairman

Sri B Saravanan
Joint Managing Director

Sri N Solairajan
Executive President

Sri P Dharmalingam
Executive President (Unit-I)

Sri R Murugesan
Vice President

Sri V L Rajagopal
Vice President (Unit II)

Sri A Ramaswamy
Vice President (Distillery Division)

Sri K Sundaramoorthi
Vice President (Distillery Unit)

Sri R Ramgopal
Assistant Vice President (Unit II)

Sri C Palaniswamy
Company Secretary

REGISTERED OFFICE

1212, Trichy Road, Coimbatore 641 018, Tamilnadu
Phone : 91-422-2302277
Fax : 91-422-2305599
E-mail : basobe@vsnl.com
Website : <http://www.bannari.com>

REGISTRARS AND SHARE TRANSFER AGENTS

M/s Cameo Corporate Services Ltd
Subramanian Building, V Floor
1, Club House Road, Chennai 600 002

INTERNAL AUDITORS

M/s Srivatsan & Gita
Chartered Accountants

AUDITORS

M/s P N Raghavendra Rao & Co
Chartered Accountants

BANKERS

Punjab National Bank
Bank of Baroda
Canara Bank
The Federal Bank Limited
The Karur Vysya Bank Limited
Union Bank of India
Indian Overseas Bank
State Bank of Travancore
State Bank of India
The Lakshmi Vilas Bank Limited

MANUFACTURING FACILITIES

Sugar Unit-I, Granite Processing & Co-generation
Alathukombai
Erode District
Tamilnadu

Sugar Unit-II & Co-generation
Alaganchi
Mysore District
Karnataka

Distillery

Sinnapuliur
Erode District
Tamilnadu

Bio-Compost

Modur
Erode District
Tamilnadu

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From the Chairman's Desk

Dear Shareholders,

Warm greetings to all of you.

The sugar production in India reached the peak level of 201.40 lakhs tonnes in the sugar year 2002-03 (October-September). The increase in sugar production, year after year without corresponding increase in consumption had adversely affected the market price of sugar and it reached the lowest price levels in the sugar year 2002-03. Over the years, the revenues from the by-products had helped to overcome the decline in sugar prices.

Taking into consideration the Indian and world sugar scenario and difficulties faced by the stand-alone sugar factories, in our Company, Distillery, Co-generation, Bio-compost Divisions were established wherein the by-products are being effectively used.

For Bannari, the financial year 2003-04 is a year in which the highest sales of Rs.488.42 crores and the highest pre-tax profit of Rs.45.93 crores have been achieved inspite the sugar prices remaining at subdued levels till January 2004. Higher dividend on equity at 36% is proposed.





The highlights of the financial year 2003-04 are -

- Total cane crushed 22.90 lakhs tonnes, was higher than the estimated cane crush of 20.50 lakhs tonnes.
- The 20 MW co-generation plant at Tamilnadu sugar unit had generated 1461.29 lakhs units of power, of which 1038.15 lakhs units were exported to Tamilnadu Government Grid.
- The 16 MW co-generation plant at Karnataka sugar unit had generated 950.13 lakhs units of power, of which 760.91 lakhs units were exported to Karnataka Government Grid.
- Additional 20 MW co-generation plant at Karnataka sugar unit commissioned on 17th March, 2004. This plant generated 9.05 lakhs units of power and exported 4.86 lakhs units to Karnataka Government Grid.
- Installed Sugar Refinery Plant at Tamilnadu sugar unit with a production capacity of 100 MTs per day.
- The company has imported 23750 MTs of Raw Sugar for processing.

Due to acute drought conditions prevailed in the immediate past years, we expect to crush only 1.50 lakhs tonnes in Tamilnadu sugar unit and 10.00 lakhs tonnes in Karnataka sugar unit in the financial year 2004-05. We expect to keep our manufacturing facilities operational by importing and refining raw sugar. The All India sugar production is also expected to be lower at 140 lakhs tonnes for the sugar year 2003-04. The sugar prices are expected to firm up. The shareholders can look forward to a year of growth in sales and earnings on increased price realisations of built-up stock, barring unforeseen circumstances. We will continue our focus on further operational improvements.

I would like to place on record the co-operation and support received from our Canegrowers, Bankers, Financial Institutions, Government of India, Governments of Tamilnadu and Karnataka, Karnataka Power Transmission Corporation Limited and Tamilnadu Electricity Board. I would also like to thank you for your whole-hearted support.

(S V Balasubramaniam)
Chairman & Managing Director



Q & A Section

Sri S V Balasubramaniam, Chairman & Managing Director,
answers questions relating to the performance of the company and the industry.

Q How would you evaluate Bannari Amman's financial performance in 2003-04?

A I am quite satisfied with our performance. We have posted record sales and profits in the fiscal 2003-2004. Sales, at Rs.488.42 crores, was higher by 36% compared to the previous fiscal. While the sugar sales showed a growth of 35% during the year, the power sales showed 55% growth. The highest ever pre-tax profit of Rs.45.93 crores was 102% higher than the previous year. While the sugar prices remain adverse till January, 2004, contribution from power helped us to post this improved performance. We have recommended a record dividend of 36%.

Q In the coming season, cane availability is set to drop sharply. Do you expect higher realizations to make good the fall in crushing volumes?

A Fortunately, we have built up stocks which can be drawn down in the current year. The second co-generation unit (at Karnataka) put up in March will contribute to performance. We expect to keep our facilities operational by importing and refining raw sugar. So, if at all we experience a drop in volumes, it may happen at the end of next year (2005-06), provided cane availability does not pick up by then.

Q Are you looking increasingly to by-products, rather than sugar, for revenues?

A Going forward, I think the sugar complexes will be the norm. Stand-alone sugar factories may find it difficult to survive. Apart from co-generation, which is a lucrative source, I expect ethanol off take to improve once the proportion of ethanol blending in petrol is increased. At present, realizations on alcohol sales are higher than those on ethanol sales (for fuel blending). Higher prices for ethanol can be expected on sharp increase of oil prices.

Q Over the years, the proportion of levy sugar that factories are required to sell to the Government has reduced gradually, to 10 per cent now. When do you expect rest of the controls to go?

A According to the original understanding, all controls were to be removed by 2005, including the levy sugar requirement. With the new government in place, we need to see if this would happen. But this issue is closely tied to PDS (Public Distribution System) reforms.

Q What is the outlook for sugar prices?

A Sugar prices are expected to firm up in anticipation of lower output. However, retail prices in India are among the lowest in the world. The prices are higher even in neighbouring countries such as Sri Lanka, Pakistan and Bangladesh.

Q What is your view on the future of Indian sugar industry?

A As per the terms of WTO, the subsidies given to the agricultural produce by the developed countries will be pruned down from the next year. Such withdrawal of subsidies will enable the developing countries to compete in the international market. The sugar industry in India will definitely benefit and can be a major player in the international market.



Key Financial Data

(Rs in lakhs)

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
Turnover	23442.11	32109.81	38173.61	39047.12	52273.24
Other Income	245.34	378.32	919.89	833.40	914.57
Total Income (incl. Stock Adj.)	24746.29	33706.43	40504.47	40965.61	55276.79
Raw Materials	14703.99	18568.01	21547.89	21340.63	26961.48
Traded Goods	—	—	—	—	1877.65
Excise Duty	1075.77	1215.43	2562.50	1484.80	2110.89
Overhead & Other Expenses	5282.12	8066.22	9824.48	12572.63	15892.93
Gross Profit	3684.41	5856.77	6569.60	5567.55	8433.84
PBDIT	3672.66	5835.18	6569.60	5567.55	8433.84
Depreciation	675.51	1710.46	1652.41	2160.88	2705.14
Interest	1248.09	2179.30	1841.97	1137.58	1135.37
Pre-tax profit	1749.06	1945.42	3075.22	2269.09	4593.33
Tax	252.00	167.00	346.89	302.35	723.58
Post-tax profit	1497.06	1778.42	2728.33	1966.74	3869.75
Equity Capital	953.97	953.97	953.97	953.97	953.97
Reserves	11071.16	12728.83	12296.57	13265.96	16192.33

Turnover = Net Sales + Closing Stock – Opening Stock



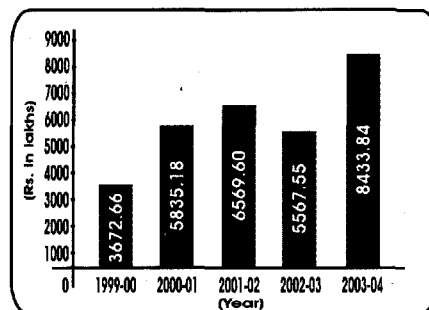
Key Financial Ratios

	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004
FINANCIAL RATIOS					
Other Income/Turnover %	1.05	1.15	2.37	2.13	1.75
Overheads/Turnover %	20.09	23.07	23.73	30.17	29.09
Interest/Turnover %	5.32	6.79	4.83	2.91	2.17
PBDIT/Turnover %	15.67	18.17	17.21	14.26	16.13
NP/Turnover %	7.46	6.06	8.06	5.81	8.79
Cash Profit/Turnover %	10.34	11.39	12.38	11.35	13.96
ROCE(PBDIT/Average Capital Employed) %	14.17	17.67	20.02	14.61	19.15
ROCE(PBIT/Average Capital Employed) %	11.57	12.49	14.98	8.94	13.01
Capital Output Ratio (Turnover/Average Capital Employed)	90.44	97.24	116.30	102.46	118.72

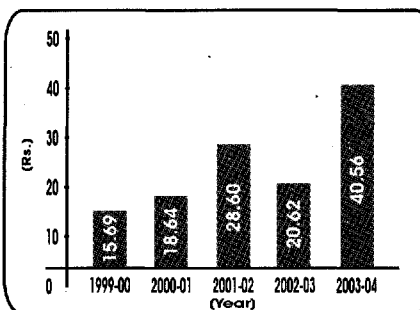
BALANCE SHEET RATIOS

Debt Equity Ratio (Long Term Debt to equity)	0.43	0.44	0.42	0.59	0.55
Debtors' Turnover (Days)	20	24	37	28	52
Inventory Turnover (Days)	180	187	146	179	195
Current Ratio	1.18	1.21	1.22	1.33	1.35
Quick Ratio	0.34	0.33	0.44	0.38	0.50
Average Turnover Ratio (Total Revenue/Total Assets)	0.82	0.94	1.14	1.01	1.16

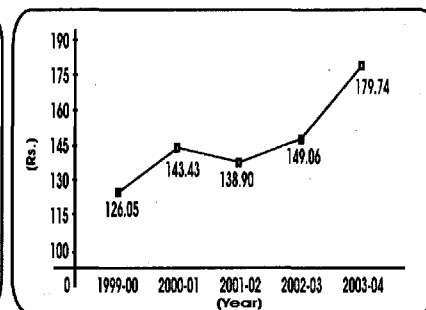
Turnover = $\frac{\text{Net Sales}}{\text{Closing Stock} - \text{Opening Stock}}$



PBDIT



EPS



Book Value